

ALPENA HOUSING COMMISSION  
ALPENA, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Alpena Housing Commission	County	ALPENA	Type	OTHER	MuniCode	
Opinion Date-Use Calendar	05/29/08	Audit Submitted-Use Calendar	07/14/08	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".**

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	865,436
General Fund Expenditure:	1,107,669
Major Fund Deficit Amount:	

General Fund Balance:	3,965,151
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Barry	Last Name	Gaudette	Ten Digit License Number	1101011050		
CPA Street Address	3994 Sherwood Forest Drive		City	Traverse City	State	MI	Zip Code 49686
CPA Firm Name	Barry E. Gaudette, CPA, PC		Unit's Street Address	731 S. Garfield Ave.		City	Traverse City
				LU Zip	49686		

ALPENA HOUSING COMMISSION  
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## INTRODUCTION

*Independent Auditor's Report*

Board of Commissioners  
Alpena Housing Commission  
Alpena, Michigan

I have audited the accompanying financial statements of the business-type activities of Alpena Housing Commission, Michigan, a component unit of the City of Alpena, as of and for the year ended December 31, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Alpena Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Alpena Housing Commission, Michigan, as of December 31, 2007, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Alpena Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated May 29, 2008, on my consideration of Alpena Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 10, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Alpena Housing Commission, Michigan's basic financial statements. The accompanying financial data schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Alpena Housing Commission, Michigan. The combining financial statements, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Barry E. Sanditz, CPA, PLLC*

May 29, 2008

**Alpena Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Unaudited)**

As management of the Alpena Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Alpena Housing Commission's financial activities for the fiscal year ended December 31, 2007. This discussion and analysis letter of the Alpena Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

**FINANCIAL HIGHLIGHTS**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2007 were \$3,965,151. The net assets increased by \$76,463, an increase of 1.97% over the prior year.

Revenues and contributions for the Commission were \$1,184,132 for the fiscal year ended December 31, 2007. This was an increase of \$281,558 or 31.2% over the prior year.

Expenses for the Commission were \$1,107,669 for the fiscal year ended December 31, 2007. This was an increase of \$64,670 or 6.2% over the prior year.

HUD operating grants were \$328,028 for the fiscal year ended December 31, 2007. This was a decrease of \$43,619 or 11.7% from the prior year. Capital contributions were \$318,696 for the fiscal year ended December 31, 2007. This was an increase of \$272,964 or 596.9% over the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented

Alpena Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.



**Alpena Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)**

**FUND STATEMENTS**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Alpena Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$3,965,151 at the close of the fiscal year ended December 31, 2007 an increase from \$3,888,688 in 2006. The increase in net assets of \$76,463 was due to the change in net assets for the fiscal year.

The unrestricted net assets were \$948,961 as of December 31, 2007. This amount may be used to meet the Commission's ongoing obligations. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

Alpena Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS  
December 31,

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$1,047,694	\$ 970,452	\$ 77,242	7.96%
Capital assets	<u>3,016,190</u>	<u>3,018,655</u>	<u>( 2,465)</u>	( 0.08)%
Total Assets	<u>4,063,884</u>	<u>3,989,107</u>	<u>74,777</u>	1.87%
Current liabilities	98,733	100,419	( 1,686)	( 1.68)%
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	-
Total Liabilities	<u>98,733</u>	<u>100,419</u>	<u>( 1,686)</u>	( 1.68)%
Net Assets:				
Invested in capital assets	3,016,190	3,018,655	( 2,465)	( 0.08)%
Unrestricted	<u>948,961</u>	<u>870,033</u>	<u>78,928</u>	9.07%
Total Net Assets	<u>\$3,965,151</u>	<u>\$3,888,688</u>	<u>\$ 76,463</u>	1.97%

The current assets increase of \$77,242 was due largely, to the net change in net assets of \$76,463.

Current liabilities decreased by \$1,686, in part, due to accounts payable were \$1,598 less than the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

Alpena Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
December 31,**

As can be seen in the following table total revenues and contributions increased by \$229,345, in large part, due to several years of capital grant funding being used in this fiscal year. The increase in capital grant funding was \$298,831 over the prior year. Interest income increased by \$7,220, mainly due to the interest rates being higher this fiscal year. Rents, also increased by \$34,257 over the prior year due to tenants incomes being higher than the prior year. The Housing Commission traded in some equipment this fiscal year, accounting for the \$11,333 gain.

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
<b>Revenues and contributions</b>				
Operating, nonoperating, capital contributions:				
Tenant Revenue	\$ 461,468	\$ 427,211	\$ 34,257	8.0%
Nondwelling rent	9,247	8,624	623	7.2%
Total PHA generated Revenue	470,715	435,835	34,880	8.0%
HUD operating grants	328,028	371,647	( 43,619)	(11.7)%
Capital contributions	318,696	45,732	272,964	596.9%
Other income	15,043	16,263	( 1,220)	( 7.5)%
Interest income	40,317	33,097	7,220	21.8%
Gain on sale of assets	11,333		11,333	100.0%
<b>Total Revenues and Contributions</b>	<u>1,184,132</u>	<u>902,574</u>	<u>281,558</u>	<u>31.2%</u>
<b>Expenses</b>				
Personnel services	398,700	371,088	27,612	7.4%
Utilities	155,874	146,059	9,815	6.7%
Operations and maintenance	70,384	66,916	3,468	5.2%
Insurance	30,097	31,092	( 995)	( 3.2)%
Payments in lieu of taxes	30,308	27,868	2,440	8.8%
Other supplies and expenses	63,611	64,868	( 1,257)	( 1.9)%
Depreciation	358,695	335,108	23,587	7.0%
<b>Total Expenses</b>	<u>1,107,669</u>	<u>1,042,999</u>	<u>64,670</u>	<u>6.2%</u>
Change in net assets	76,463	( 140,425)	216,888	
Beginning net assets	<u>3,888,688</u>	<u>4,029,113</u>	<u>(140,425)</u>	
Ending net assets	<u>\$3,965,151</u>	<u>\$3,888,688</u>	<u>\$ 76,463</u>	

Alpena Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)

**FINANCIAL ANALYSIS (CONTINUED)**

*Revenues:*

Alpena Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants can be classified as either soft cost revenue or hard cost revenue, for this fiscal year the Housing Commission chose to classify the \$318,696 of the grants as hard costs. Revenue received from HUD for fiscal year ended December 31, 2007 for the low rent program for operations decreased from fiscal year ending December 31, 2006 to December 31, 2007 by \$69,486. For the fiscal year ending December 31, 2007, revenue generated by the Commission accounted for \$470,715 (or 40% of total revenue), while HUD contributions accounted for \$646,724 (or 55% of total revenue).

*Expenses:*

Total Expenses for the fiscal ending December 31, 2006 were \$1,042,999 while for the fiscal year ending December 31, 2007 they were \$1,107,669. This represents an 6.2% increase in our operating costs. The expenses increased, in large part, because personnel costs increased \$27,612 due to more fringe benefits increasing \$16,208 and cost of living raises to employees wages. Utilities for water and electricity increased \$11,747 over the prior year.

The following represents changes in Federal Assistance received:

	<u>12/31/07</u>	<u>12/31/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing				
Operating Subsidy	\$ 278,252	\$ 347,738	\$ ( 69,486)	(20.0)%
Capital Fund Program				
Grants	368,472	69,641	298,831	429.1%
Total	<u>\$ 646,724</u>	<u>\$ 417,379</u>	<u>\$ 229,345</u>	<u>54.9%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The decrease in the operating subsidy was due to the HUD's reduction in funding levels and the increase in tenant rents. The Capital Fund Program closed several programs out in 2007, rather than one as is usually done.

*Budget Analysis:*

A Low Rent Public Housing Operating Budget for the fiscal year ending December 31, 2007 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

**Alpena Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)**

**OPERATIONAL HIGHLIGHTS**

The Alpena Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Low Rent Public Housing	195	195

During the fiscal year ending December 31, 2007, Alpena Housing Commission maintained a lease-up rate of 99.8% in its Public Housing Program.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes)

**CAPITAL ASSETS**

During the fiscal year ending December 31, 2007, our Capital Fund Program work projects included:

The Housing Commission purchased a 2007 Ford F-350 truck and a plow package, renovated bathrooms at Riverview, bought a computer, replaced windows, replaced smoke alarms and batteries, purchased lounge chairs, replaced a retaining wall, waterguard some basement walls, upgraded the Riverview elevator, repaired and replaced fencing, and upgraded elevator controls.

**Alpena Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)**

**CAPITAL ASSETS (CONTINUED)**

Capital projects planned for the next fiscal year include remodeling the bathrooms at the Kurrasch Apartments, elevator controls at the Fowler Apartments will be upgraded, and a new closed circuit TV security system at the Fowler Apartments. New appliances and carpeting will go into approximately 25% of the apartments.

The Alpena Housing Commission's investment in capital assets, as of December 31, 2007 amounts to \$3,016,190 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
December 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 196,414	\$ 196,414	\$
Buildings	7,651,888	7,185,085	466,803
Furniture, equipment and machinery - dwellings	131,684	129,087	2,597
Furniture, equipment and machinery - administration	313,887	296,199	17,688
Building improvements	998,580	956,462	42,118
Construction in progress	212,272	409,426	( 197,154)
	9,504,725	9,172,673	332,052
Accumulated depreciation	( 6,488,535)	( 6,154,018)	( 334,517)
Total	<u>\$ 3,016,190</u>	<u>\$ 3,018,655</u>	<u>\$ ( 2,465)</u>

Capital assets decreased by \$2,465, because of capital outlays of \$356,230, equipment disposed of \$24,178, and depreciation of \$(334,517).

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

James Stosik, Executive Director  
Alpena Housing Commission  
2340 S. 4th Street, Alpena, MI 49707

## FINANCIAL STATEMENTS

## ALPENA HOUSING COMMISSION

## STATEMENT OF NET ASSETS

December 31, 2007

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**ASSETS**

## Current Assets:

Cash and cash equivalents	\$ 936,555
Receivables, net	3,126
Investments	100,000
Prepaid expenses	4,339
Inventories	<u>3,674</u>

Total Current Assets	<u>1,047,694</u>
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## Capital Assets:

Land	196,414
Buildings	7,651,888
Equipment	445,571
Building improvements	998,580
Construction in progress	<u>212,272</u>

	9,504,725
Less: accumulated depreciation	<u>( 6,488,535)</u>

Net Capital Assets	<u>3,016,190</u>
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Total Assets	<u>\$ 4,063,884</u>
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See notes to financial statements



ALPENA HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
December 31, 2007  
=====

**LIABILITIES and NET ASSETS**

Current Liabilities:	
Accounts payable	\$ 17,304
Accrued expenses	21,260
Accounts payable-other government	30,308
Tenant security deposits	24,420
Deferred revenues	<u>5,441</u>
Total Current Liabilities	<u>98,733</u>
Net Assets:	
Invested in capital assets	3,016,190
Unrestricted net assets	<u>948,961</u>
Total Net Assets	<u>3,965,151</u>
Total Liabilities and Net Assets	<u>\$ 4,063,884</u>

See notes to financial statements

ALPENA HOUSING COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS

Year Ended December 31, 2007

=====

**OPERATING REVENUES:**

Dwelling rent	\$ 461,468
Nondwelling rent	9,247
Operating grants	<u>328,028</u>

Total operating revenues	<u>798,743</u>
--------------------------	----------------

**OPERATING EXPENSES:**

Administration	253,571
Tenant services	5,993
Utilities	155,874
Ordinary maintenance and operation	268,106
General expenses	65,430
Depreciation	<u>358,695</u>

Total operating expenses	<u>1,107,669</u>
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Operating income(loss)	<u>( 308,926)</u>
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**NONOPERATING REVENUES:**

Investment interest income	40,317
Other income	15,043
Gain on sale of fixed assets	<u>11,333</u>

Total nonoperating revenues	<u>66,693</u>
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Income(loss) before contributions and transfers	( 242,233)
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**CAPITAL CONTRIBUTIONS**

	<u>318,696</u>
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Change in net assets	76,463
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Net assets, beginning	<u>3,888,688</u>
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Net assets, ending	<u>\$ 3,965,151</u>
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See notes to financial statements

ALPENA HOUSING COMMISSION  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2007  
=====

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 470,036
Cash received from operating grants	328,028
Cash payments to other suppliers of goods and services	( 321,947)
Cash payments to employees for services	( 397,911)
Cash payments for in lieu of taxes	<u>( 27,868)</u>
Net cash provided by operating activities	<u>50,338</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Tenant security deposits	( 332)
Other revenue	<u>17,487</u>
Net cash provided by noncapital financing activities	<u>17,155</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Gain on sale of fixed assets	11,333
Capital grants	318,696
Payments for capital acquisitions	<u>( 356,230)</u>
Net cash (used) by capital and related financing activities	<u>( 26,201)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Receipts of interest and dividends	<u>38,992</u>
Net cash provided by investing activities	<u>38,992</u>

Net increase(decrease) in cash 80,284

Cash and cash equivalents, beginning 856,271

Cash and cash equivalents, ending \$ 936,555

ALPENA HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended December 31, 2007  
=====

RECONCILIATION OPERATING INCOME(LOSS)  
TO NET CASH PROVIDED BY OPERATING  
ACTIVITIES:

Operating income(loss)	\$( 308,926)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	358,695
Bad debt allowance adjustment	( 69)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	2,306
Prepaid expenses	( 314)
Increase (decrease) in liabilities:	
Accounts payable	( 1,598)
Accrued compensated absences	789
Accounts payable-PILOT	2,440
Deferred revenues	<u>( 2,985)</u>
Net cash provided by operating activities	<u>\$ 50,338</u>

See notes to financial statements

ALPENA HOUSING COMMISSION  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2007  
=====

**NOTE 1: Summary of Significant Accounting Policies**

The Alpena Housing Commission (the Housing Commission) is a component unit of the City of Alpena, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Alpena on February 26, 1951, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
---------------------	--------------------

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

## **1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent Program	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

## **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

## **1(c) Measurement Focus and Basis of Accounting (Continued)**

### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

## **1(d) Assets, Liabilities, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Insurance**

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

### **Budgets and Budgetary Accounting**

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

### **Estimates and Assumptions**

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Land improvements	5 - 40 years
Buildings	7 - 40 years
Building improvements	5 - 40 years
Dwelling equipment-nonexpendable	7 years
Furniture, equipment-administration	5 - 10 years
Nondwelling structures	3 - 10 years



## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

### **Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

### **Post Employment Benefits**

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

## **1(e) Revenues, Expenditures, and Expenses**

### **Income Taxes**

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

### **NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

### **2(a) Program Accounting Requirements**

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

### **2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

## 2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Capital Fund Program	Modernization

For the year ended December 31, 2007, the Housing Commission complied, in all material respects, with these revenue restrictions.

## NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### 3(a) Cash and Investments

#### Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at December 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$719,697	\$200,000	\$519,697	\$	\$ 719,697
Sweep account	216,568	216,568			216,568
	<u>\$936,265</u>	<u>\$416,568</u>	<u>\$519,697</u>	<u>\$</u>	<u>\$ 936,265</u>

### 3(a) Cash and Investments (Continued)

#### Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Note 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at December 31, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	<u>Custody Credit Risk</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>		
Certificates of deposits	<u>\$ 100,000</u>	<u>\$</u>	<u>\$</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Carrying amount of deposits	\$ 936,265
Petty cash	50
Change fund	240
Investments	<u>100,000</u>
Total	<u>\$1,036,555</u>
Cash and investments:	
Enterprise activities	\$1,036,555
Enterprise activities - deposits in transit	-
Enterprise activities - checks written in excess of deposits	-
Total	<u>\$1,036,555</u>

### 3(b) Receivables

Receivables detail at December 31, 2007, is as follows:

Tenant accounts receivable	\$ 1,786
Allowance for doubtful accounts	( 14)
Accrued interest receivable	<u>1,354</u>
	<u>\$ 3,126</u>

### 3(c) Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	<u>Balance 12/31/06</u>	<u>Additions/ Transfers</u>	<u>Retirements/ Transfers</u>	<u>Balance 12/31/07</u>
<b>Low Rent Program</b>				
Land	\$ 196,414	\$	\$	\$ 196,414
Buildings	7,185,085	20,103		7,205,188
Furniture, equip. & machinery - dwellings	129,087			129,087
Furniture, equip. & machinery - administration	296,199	17,431	( 24,178)	289,452
Building improvements	<u>956,462</u>			<u>956,462</u>
	8,763,247	<u>\$ 37,534</u>	<u>\$ ( 24,178)</u>	8,776,603
Less accumulated depreciation	<u>(6,154,018)</u>	<u>\$ (328,649)</u>	<u>\$ 24,178</u>	<u>(6,458,489)</u>
Total	<u>\$2,609,229</u>			<u>\$2,318,114</u>
<b>Capital Fund Program</b>				
Buildings	\$	\$ 446,700	\$	\$ 446,700
Furniture, equip. & machinery - dwellings		2,597		2,597
Furniture, equip. & machinery - administration		24,435		24,435
Building improvements		42,118		42,118
Construction in progress	<u>409,426</u>		<u>(197,154)</u>	<u>212,272</u>
	409,426	<u>\$ 515,850</u>	<u>\$ (197,154)</u>	728,122
Less accumulated depreciation		<u>\$ ( 30,046)</u>	<u>\$</u>	<u>( 30,046)</u>
Total	<u>\$ 409,426</u>			<u>\$ 698,076</u>
<b>Combined Totals</b>				<u>\$3,016,190</u>

### **3(d) Accrued Expenses**

Accrued expense detail at December 31, 2007, is as follows:

Accrued compensated absences-current portion     \$ 21,260

### **3(e) Interprogram Transactions and Balances**

#### *Operating Transfers*

The capital fund program transferred \$49,763 to the low rent program during the fiscal year ended December 31, 2007.

#### *Interprogram Receivable/Payable*

There were no interprogram receivables and payables between programs.

### **NOTE 4: Other Notes**

#### **4(a) Employee Retirement Plan**

The Housing Commission participates in the City of Alpena Employees Retirement System. The pension plan is a defined benefit plan. For the Housing Commission eligibility is Age 60 with 5 years of service, or age 55 with 15 years of service. The annual amount is 2.1% of final average compensation times total service. The type of final average compensation is the highest 24 months out of last 5 years, need not be consecutive, but must be in units of 12 consecutive months each. Member contributions for the Housing Commission is 1.0% of annual compensation. The employer contributions are actuarially determined and for the valuation date 12/31/2007 employer contributions of 4.32% will be required. The actuarial accrued liabilities (AAL) was \$25,630,000 as of December 31, 2007. The market value of assets as of December 31, 2007 was \$28,667,459. The reported revenues were \$2,285,139 and expenditures \$1,722,660 for the year ended December 31, 2007.

Further details are available from Alpena Housing Commission, 2340 South 4th Street, Alpena, MI 49707-3027.

#### **4(b) Risk Management**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

#### 4(b) Risk Management (Continued)

Type of Loss	Method Managed
a. Torts, errors and omissions	Insurance coverage under the Michigan Township Participating Plan.
b. Injuries to employees (workers' compensation)	Insured by the Michigan Insurance Company.
c. Physical property loss and natural disasters	Insurance coverage under the Michigan Township Participating Plan.
d. Liability	Insurance coverage under the Michigan Township Participating Plan.
e. Health, life, dental	Included in the City of Alpena's health insurance plan.
f. Boiler & machinery	Insurance coverage with Cincinnati Insurance Company.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

#### 4(c) Commitments and Contingencies

##### Commitments - Construction

At December 31, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2004 CFP	\$ 278,900	\$ 278,900
2005 CFP	268,954	268,954
2006 CFP	258,037	156,911
2007 CFP	250,719	190,943
2008 CFP	264,624	-

##### Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

#### **4(d) Post-retirement Benefits Other Than Pensions**

The Alpena Housing Commission will pay 75% of a retired employee's individual cost of health insurance coverage subject to the following: For salaried administrative employees with at least 15 years of City service, the percentage is 100%, also subject to the following: The Alpena Housing Commission will pay the first 5% of any premium increase in each year after the employee retires. Any increase above 5% in the year, will be paid by the retiree. The monthly insurance payment for a retired employee's individual cost of health insurance coverage will be paid whether the retiree has coverage through the City's medical insurance plan or not, subject to the same limitations on the annual increases. Employees who retire will have the same health care insurance as active employees unless retiree chooses lower coverage available through an existing retiree health insurance suffix; except if the City switches to a high deductible health insurance plan with the Alpena Housing Commission paying or reimbursing employees for the high deductible through a medical reimbursement plan, such as health savings account, health reimbursement account, or similar account, then the retiree shall have the option to remain with his/her current coverage or switch to the high deductible plan.



SUPPLEMENTARY INFORMATION

ALPENA HOUSING COMMISSION  
COMBINING STATEMENT OF NET ASSETS  
BY PROGRAM

December 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 936,555	\$
Receivables:		
Tenants-dwelling rents	1,786	
Allowance for doubtful accounts	( 14)	
Accrued interest receivable	1,354	
Investments-unrestricted	100,000	
Prepaid expenses	4,339	
Inventories	<u>3,674</u>	
Total current assets	<u>1,047,694</u>	
Capital assets:		
Land	196,414	
Buildings	7,205,188	446,700
Equipment	418,539	27,032
Building improvements	956,462	42,118
Construction in progress	<u>212,272</u>	
	8,776,603	728,122
Less accumulated depreciation	<u>( 6,458,489)</u>	<u>( 30,046)</u>
Net capital assets	<u>2,318,114</u>	<u>698,076</u>
Total Assets	<u>\$ 3,365,808</u>	<u>\$ 698,076</u>

Totals

\$ 936,555

1,786  
( 14)  
1,354  
100,000  
4,339  
3,674

1,047,694

196,414  
7,651,888  
445,571  
998,580  
212,272  
9,504,725  
( 6,488,535)

3,016,190

\$ 4,063,884

ALPENA HOUSING COMMISSION  
 COMBINING STATEMENT OF NET ASSETS  
 BY PROGRAM (CONTINUED)  
 December 31, 2007  
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 17,304	
Accrued expenses	21,260	
Accounts payable-other government	30,308	
Tenant security deposits	24,420	
Deferred revenues	<u>5,441</u>	
Total current liabilities	<u>98,733</u>	
Net Assets:		
Invested in capital assets	2,318,114	698,076
Unrestricted net assets	<u>948,961</u>	
Total net assets	<u>3,267,075</u>	<u>698,076</u>
Total Liabilities and Net Assets	<u>\$3,365,808</u>	<u>\$ 698,076</u>

<u>Totals</u>	
\$	17,304
	21,260
	30,308
	24,420
	<u>5,441</u>
	<u>98,733</u>
	3,016,190
	<u>948,961</u>
	<u>3,965,151</u>
	<u><u>\$4,063,884</u></u>

ALPENA HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS BY PROGRAM**  
 Year Ended December 31, 2007

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 461,468	\$
Nondwelling rent	9,247	
Operating grants	<u>278,252</u>	<u>49,776</u>
Total operating revenues	<u>748,967</u>	<u>49,776</u>
<b>OPERATING EXPENSES:</b>		
Administration	253,571	
Tenant services	5,993	
Utilities	155,874	
Ordinary maintenance and operation	268,093	13
General expenses	65,430	
Depreciation	<u>328,649</u>	<u>30,046</u>
Total operating expenses	<u>1,077,610</u>	<u>30,059</u>
Operating income(loss)	<u>( 328,643)</u>	<u>19,717</u>
<b>NONOPERATING REVENUES:</b>		
Operating transfers in(out)	49,763	( 49,763)
Investment interest income	40,317	
Other income	15,043	
Gain on sale of fixed assets	<u>11,333</u>	<u>          </u>
Total nonoperating revenues	<u>116,456</u>	<u>( 49,763)</u>
Income(loss) before contributions and transfers	( 212,187)	( 30,046)
<b>CAPITAL CONTRIBUTIONS</b>	<u>          </u>	<u>318,696</u>
Change in net assets	( 212,187)	288,650
Net assets, beginning	<u>3,479,262</u>	<u>409,426</u>
Net assets, ending	<u><u>\$3,267,075</u></u>	<u><u>\$698,076</u></u>

<u>Totals</u>	
\$	461,468
	9,247
	<u>328,028</u>
	<u>798,743</u>
	253,571
	5,993
	155,874
	268,106
	65,430
	<u>358,695</u>
	<u>1,107,669</u>
(	<u>308,926)</u>
	40,317
	15,043
	<u>11,333</u>
	<u>66,693</u>
(	242,233)
	<u>318,696</u>
	76,463
	<u>3,888,688</u>
	<u><u>\$3,965,151</u></u>

ALPENA HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM

Year Ended December 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 470,036	\$
Cash received from operating grants	278,252	49,776
Cash payments to other suppliers of goods and services	( 321,934)	( 13)
Cash payments to employees for services	( 397,911)	
Cash payments for in lieu of taxes	<u>( 27,868)</u>	
Net cash provided by operating activities	<u>575</u>	<u>49,763</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in(out)	49,763	( 49,763)
Tenant security deposits	( 332)	
Other revenue	<u>17,487</u>	
Net cash provided (used) by noncapital financing activities	<u>66,918</u>	<u>( 49,763)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Gain on sale of fixed assets	11,333	
Capital grants		318,696
Payments for capital acquisitions	<u>( 37,534)</u>	<u>( 318,696)</u>
Net cash (used) by capital and related financing activities	<u>( 26,201)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipts of interest and dividends	<u>38,992</u>	
Net cash provided by investing activities	<u>38,992</u>	
Net increase(decrease) in cash	80,284	
Cash and cash equivalents, beginning	<u>856,271</u>	
Cash and cash equivalents, ending	<u>\$ 936,555</u>	<u>\$</u>



Totals

\$ 470,036  
328,028

( 321,947)  
( 397,911)  
( 27,868)

50,338

( 332)  
17,487

17,155

11,333  
318,696  
( 356,230)

( 26,201)

38,992

38,992

80,284

856,271

\$ 936,555

ALPENA HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM (CONTINUED)

Year Ended December 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>(LOSS) TO NET CASH PROVIDED BY</b>		
<b>OPERATING ACTIVITIES:</b>		
Operating income(loss)	\$( 328,643)	\$ 19,717
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	328,649	30,046
Bad debt allowance adjustment	( 69)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	2,306	
Prepaid expenses	( 314)	
Increase (decrease) in liabilities:		
Accounts payable	( 1,598)	
Accrued compensated absences	789	
Accounts payable-PILOT	2,440	
Deferred revenues	<u>( 2,985)</u>	
Net cash provided by operating activities	<u>\$ 575</u>	<u>\$ 49,763</u>

Totals

\$ ( 308,926)

358,695  
( 69)

2,306  
( 314)

( 1,598)  
789

2,440  
( 2,985)

\$ 50,338

ALPENA HOUSING COMMISSION  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS**  
Year Ended December 31, 2007  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 278,252
	<u>Public and Indian Housing Major - Direct Program</u>		
2007	Capital Fund Program	14.872	<u>368,459</u>
	Total		<u>\$ 646,711</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ALPENA HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE**  
Year Ended December 31, 2007  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 912,135	\$
114	Cash-tenant security deposits	<u>24,420</u>	<u>          </u>
100	Total cash	<u>936,555</u>	<u>          </u>
	Receivables:		
126	A/R-tenants-dwelling rents	1,786	
126.1	Allowance for doubtful accounts	( 14)	
129	Accrued interest receivable	<u>1,354</u>	<u>          </u>
120	Total receivables, net of allowance for doubtful accounts	<u>3,126</u>	<u>          </u>
131	Investments-unrestricted	<u>100,000</u>	<u>          </u>
	Other Current Assets:		
142	Prepaid expenses and other assets	4,339	
143	Inventories	<u>3,674</u>	<u>          </u>
	Total other current assets	<u>8,013</u>	<u>          </u>
150	Total current assets	<u>1,047,694</u>	<u>          </u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	196,414	
162	Buildings	7,205,188	446,700
163	Furn, equip & mach-dwellings	129,087	2,597
164	Furn, equip & mach-admin.	289,452	24,435
165	Building improvements	956,462	42,118
166	Accumulated depreciation	(6,458,489)	( 30,046)
167	Construction in progress	<u>          </u>	<u>212,272</u>
160	Total fixed assets, net of accumulated depreciation	<u>2,318,114</u>	<u>698,076</u>
180	Total noncurrent assets	<u>2,318,114</u>	<u>698,076</u>
190	Total Assets	<u>\$ 3,365,808</u>	<u>\$698,076</u>

Totals

\$ 912,135  
24,420

936,555

1,786  
( 14)  
1,354

3,126

100,000

4,339  
3,674

8,013

1,047,694

196,414  
7,651,888  
131,684  
313,887  
998,580  
(6,488,535)  
212,272

3,016,190

3,016,190

\$4,063,884

ALPENA HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2007  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable	\$ 17,304	\$
322	Accrued compensated absences- current portion	21,260	
333	Accounts payable-other government	30,308	
341	Tenant security deposits	24,420	
342	Deferred revenues	<u>5,441</u>	
310	Total current liabilities	<u>98,733</u>	
300	Total liabilities	<u>98,733</u>	
	Net Assets:		
508.1	Invested in capital assets	<u>2,318,114</u>	<u>698,076</u>
508	Total invested in capital assets	2,318,114	698,076
512.1	Unrestricted net assets	<u>948,961</u>	
513	Total Net Assets	<u>3,267,075</u>	<u>698,076</u>
600	Total Liabilities and Net Assets	<u>\$ 3,365,808</u>	<u>\$698,076</u>

Totals

\$ 17,304

21,260

30,308

24,420

5,441

98,733

98,733

2,318,114

3,016,190

948,961

3,965,151

\$4,063,884



ALPENA HOUSING COMMISSION  
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 461,468	\$
704	Tenant revenue-other	<u>9,247</u>	
705	Total tenant revenue	470,715	
706	HUD PHA grants	278,252	49,776
706.1	Capital grants		318,696
711	Investment income-unrestricted	40,317	
715	Other income	15,043	
716	Gain/loss on sale of fixed assets	<u>11,333</u>	
700	Total revenue	<u>815,660</u>	<u>368,472</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	149,493	
912	Auditing fees	4,200	
914	Compensated absences	789	
915	Employee benefit contributions-adm.	50,696	
916	Other operating-administrative	48,393	
	Tenant services:		
924	Tenant services-other	5,993	
	Utilities:		
931	Water	39,633	
932	Electricity	63,389	
933	Gas	52,852	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	138,363	
942	Ordinary maint & oper-mat'ls & other	45,640	13
943	Ordinary maint & oper-contract costs	24,731	
945	Employee benefit contributions	59,359	
	General expenses:		
961	Insurance premiums	30,097	
963	Payments in lieu of taxes	30,308	
964	Bad debt-tenant rents	<u>5,025</u>	
969	Total operating expenses	<u>748,961</u>	<u>13</u>
970	Excess operating revenue over operating expenses	<u>66,699</u>	<u>368,459</u>

Totals

\$ 461,468

9,247

470,715

328,028

318,696

40,317

15,043

11,333

1,184,132

149,493

4,200

789

50,696

48,393

5,993

39,633

63,389

52,852

138,363

45,653

24,731

59,359

30,097

30,308

5,025

748,974

435,158

ALPENA HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2007  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
974	Depreciation expense	<u>328,649</u>	<u>30,046</u>
900	Total expenses	<u>1,077,610</u>	<u>30,059</u>
	<b>Other Financing Sources(Uses):</b>		
1001	Operating transfers in	49,763	
1002	Operating transfers (out)	<u>          </u>	<u>(49,763)</u>
1010	Total other financing sources(uses)	<u>49,763</u>	<u>(49,763)</u>
1000	Excess(deficiency) of total revenue over(under) total expenses	( 212,187)	288,650
1103	Beginning Net Assets	<u>3,479,262</u>	<u>409,426</u>
	Ending Net Assets	<u>\$ 3,267,075</u>	<u>\$698,076</u>

Totals

358,695

1,107,669

49,763  
( 49,763)

\_\_\_\_\_

76,463

3,888,688

\$ 3,965,151

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements performed in Accordance  
with Government Auditing Standards**

Board of Housing Commissioners  
Alpena Housing Commission  
Alpena, Michigan

I have audited the financial statements of the business-type activities of Alpena Housing Commission, Michigan (Housing Commission), as of and for the year ended December 31, 2007, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated May 29, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements performed in Accordance  
with *Government Auditing Standards*  
Alpena Housing Commission  
Page Two

**Internal Control Over Financial Reporting (Continued)**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 07-1.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the City, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
May 29, 2008

**Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control  
over Compliance in Accordance with OMB Circular A-133**

Board of Housing Commissioners  
Alpena Housing Commission  
Alpena, Michigan

**Compliance**

I have audited the compliance of Alpena Housing Commission, Michigan (Housing Commission), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Housing Commission's compliance with those requirements.

Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Alpena Housing Commission  
Page Two

**Compliance (continued)**

In my opinion, the Housing Commission, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

**Internal Control Over Compliance**

The management of the Housing Commission, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.



Report on Compliance with Requirements  
Applicable to Each Major Program and  
on Internal Control Over Compliance in  
Accordance with OMB Circular A-133  
Alpena Housing Commission  
Page Three

This report is intended solely for the information and use of management, Board of Housing Commissioners, the City, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Barry E. Woodlett, RD, PC*

May 29, 2008

ALPENA HOUSING COMMISSION  
**STATUS OF PRIOR AUDIT FINDINGS**  
December 31, 2007

=====

There were no findings in the prior year.

ALPENA HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2007  
=====

**SECTION I - SUMMARY OF AUDITOR RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Alpena Housing Commission.
2. There were no control deficiencies disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Alpena Housing Commission that were disclosed during the audit.
4. There were no significant deficiencies in internal control over major federal award programs disclosed during the audit that were reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Alpena Housing Commission expresses an unqualified opinion on the Capital Fund Program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:  
  
    Public Housing Capital Fund Program      CFDA No. 14.872
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Alpena Housing Commission was determined to be a low-risk auditee.

ALPENA HOUSING COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
December 31, 2007  
=====

**SECTION II - FINANCIAL STATEMENT FINDINGS**

Low Rent Public Housing Program - CFDA No. 14.850a

**Finding Item 07-1:** Year Ended December 31, 2007

*Condition:* During testing of the tenant files, it was discovered that documentation of the tenant's choice of flat rent versus income based rent wasn't available in the tenant files.

*Criteria:* 24 CFR 960.253 Choice of Rent.

*Cause of the Condition:* The staff member in charge of this program did not obtain any of the documentation, because they were unaware of the requirement.

*Effect of Condition:* Tenants may have been charged incorrect rents, tenants may not be aware of their rights, and tenants were not given a proper chance to select income based or flat rent.

*Perspective Information:* Out of the eight files tested, none of the eight had any of the documentation. This represents an exception rate of 100%.

*Recommendation:* It is recommended that the Housing Commission document the tenant's annual written choice of flat rent or income based rent completely and correctly in the future.

ALPENA HOUSING COMMISSION

**CORRECTIVE ACTION PLAN**

December 31, 2007

=====

Low Rent Public Housing Program - CFDA No. 14.850a

**Finding 07-1: Choice of Rent**

We have created a form to correct any deficiencies of written documentation regarding Flat Rent/Income Based Rent Choice, effective May 29, 2008.

The Alpena Housing Commission will offer to a family the choice between flat and income based rent and will be conducted upon admission and upon each subsequent annual reexamination. The Alpena Housing Commission will require families to submit their choice of flat or income based rent in writing and will maintain such requests in the tenant file as part of the admission or annual reexamination process.

The Alpena Housing Commission will provide sufficient information for families to make an informed choice. This information will include the Alpena Housing Commission policy on switching from flat rent to income based rent due to financial hardship and the dollar amount of the rent under each option.

Administrative Assistant, Diane Barsen of the Alpena Housing Commission will be implementing this process.